

AMENDED IN ASSEMBLY APRIL 16, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 1

Introduced by Assembly Member Aanestad

December 4, 2000

An act to amend Section 399.8 of the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 1, as amended, Aanestad. Electrical restructuring: energy efficiency programs.

Under the Public Utilities Act, the Public Utilities Commission, until January 1, 2012, requires electrical corporations to identify a separate rate component to collect a system benefits charge to fund energy efficiency, renewable energy, and research, development, and demonstration programs.

This bill would require the commission to establish a single universal rebate rate for all energy efficiency technologies used for *large nonresidential standard performance contract* programs allocated funds under those provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 399.8 of the Public Utilities Code, as
2 added by Chapter 1050 of the Statutes of 2000, is amended to read:

1 399.8. (a) In order to ensure that the citizens of this state
2 continue to receive safe, reliable, affordable, and environmentally
3 sustainable electric service, it is the policy of this state and the
4 intent of the Legislature that prudent investments in energy
5 efficiency, renewable energy, and research, development and
6 demonstration shall continue to be made.

7 (b) (1) Every customer of an electrical corporation, shall pay
8 a nonbypassable system benefits charge authorized pursuant to
9 this article. The system benefits charge shall fund energy
10 efficiency, renewable energy, and research, development and
11 demonstration.

12 (2) Local publicly owned electric utilities shall continue to
13 collect and administer system benefits charges pursuant to Section
14 385.

15 (c) (1) The commission shall require each electrical
16 corporation to identify a separate rate component to collect
17 revenues to fund energy efficiency, renewable energy, and
18 research, development and demonstration programs authorized
19 pursuant to this section beginning January 1, 2002, through
20 January 1, 2012. The rate component shall be a nonbypassable
21 element of the local distribution service and collected on the basis
22 of usage.

23 (2) This rate component may not exceed, for any tariff
24 schedule, the level of the rate component that was used to recover
25 funds authorized pursuant to Section 381 on January 1, 2000. If the
26 amounts specified in paragraph (1) of subdivision (d) are not
27 recovered fully in any year, the commission shall reset the rate
28 component to restore the unrecovered balance, provided that the
29 rate component may not exceed, for any tariff schedule, the level
30 of the rate component that was used to recover funds authorized
31 pursuant to Section 381 on January 1, 2000. Pending restoration,
32 any annual shortfalls shall be allocated pro rata among the three
33 funding categories in the proportions established in paragraph (1)
34 of subdivision (d).

35 (d) The commission shall order San Diego Gas and Electric
36 Company, Southern California Edison Company, and Pacific Gas
37 and Electric Company to collect these funds commencing on
38 January 1, 2002, as follows:

39 (1) Two hundred twenty-eight million dollars (\$228,000,000)
40 per year in total for energy efficiency and conservation activities,

1 one hundred thirty-five million dollars (\$135,000,000) in total per
2 year for renewable energy, and sixty-two million five hundred
3 thousand dollars (\$62,500,000) in total per year for research,
4 development and demonstration. The funds for energy efficiency
5 and conservation activities shall continue to be allocated in
6 proportions established for the year 2000 as set forth in paragraph
7 (1) of subdivision (c) of Section 381.

8 (2) The amounts shall be adjusted annually at a rate equal to the
9 lesser of the annual growth in electric commodity sales or
10 inflation, as defined by the gross domestic product deflator.

11 (e) The commission and the Energy Commission shall retain
12 and continue their oversight responsibilities as set forth in Sections
13 381, 383, 383.5, and 445, and Chapter 7.1 (commencing with
14 Section 25620) of the Public Resources Code.

15 (f) (1) On or before January 1, 2004, the Governor shall
16 appoint an independent review panel including, but not limited to,
17 members with expertise on the energy service needs of large and
18 small electricity consumers, system reliability issues, and
19 energy-related public policy. On or before January 1, 2005, the
20 panel shall prepare and submit to the Legislature and the Energy
21 Commission a report evaluating the energy efficiency, renewable
22 energy, and research, development and demonstration programs
23 funded under this section. Reasonable costs associated with the
24 review in each of the three program categories, including technical
25 assistance, may be charged to the relevant program category under
26 procedures to be developed by the commission for energy
27 efficiency and by the Energy Commission for renewable energy
28 and research, development and demonstration.

29 (2) The report shall also assess all of the following:

30 (A) Whether ongoing programs are consistent with the
31 statutory goals.

32 (B) Whether potential synergies among the program categories
33 described in paragraph (1) that could provide enhanced public
34 value have been identified and incorporated in the programs.

35 (C) If established targets for increased renewable generation
36 are likely to be achieved.

37 (D) What changes should be made to result in a more efficient
38 use of public resources.

39 (3) The report shall also compare the Energy Commission's
40 programs with efforts undertaken by other states and assess, as an

1 alternative, the relative costs and benefits of adopting a tradable
2 minimum renewable energy requirement in California. The
3 evaluation shall include recommendations intended to optimize
4 renewable resource development at the least cost.

5 (4) For energy efficiency programs, the report shall include an
6 evaluation of all of the following:

7 (A) The net benefits secured for residential customers, taking
8 into account both public and private costs, including
9 improvements in that customer group's ability to avoid or reduce
10 consumption of relatively costly peak electricity.

11 (B) Whether the programs provide a balance of benefits to all
12 sectors that contribute to the funding.

13 (C) The extent to which competition in energy markets
14 including, but not limited to, load participation in ancillary
15 services markets, and improvements in technology affect the
16 continuing need for such programs.

17 (D) The status and growth of the private, competitive energy
18 services industry that provides energy efficiency services and
19 other energy products to customers.

20 (E) The commercial availability of any new technologies that
21 reduce electricity demands during high-priced periods.

22 (F) Customers' willingness and ability to reduce consumption
23 or adopt energy efficiency measures without program support.

24 (G) The extent to which the programs have delivered
25 cost-effective energy efficiency not adequately provided by
26 markets and as a result have reduced energy demand and
27 consumption.

28 (H) The relative cost effectiveness of program expenditures
29 compared to other current or potential expenditures to enhance
30 system reliability.

31 (5) The report shall include specific recommendations aimed
32 at assisting the Legislature in determining whether to change or
33 eliminate the collection of the system benefits charge on or after
34 January 1, 2007.

35 (6) The panel may update and revise the report as needed.

36 (g) Promptly after receiving the panel's report, the commission
37 shall convene a proceeding to address implementation of the
38 panel's energy efficiency recommendations.

39 (h) The commission shall establish a single universal rebate
40 rate for all energy efficiency technologies used for *large*

1 *nonresidential standard performance contract* programs allocated
2 funds under paragraph (1) of subdivision (b).

3 SEC. 2. Section 399.8 of the Public Utilities Code, as added
4 by Chapter 1051 of the Statutes of 2000, is amended to read:

5
6 399.8. (a) In order to ensure that the citizens of this state
7 continue to receive safe, reliable, affordable, and environmentally
8 sustainable electric service, it is the policy of this state and the
9 intent of the Legislature that prudent investments in energy
10 efficiency, renewable energy, and research, development and
11 demonstration shall continue to be made.

12 (b) (1) Every customer of an electrical corporation, shall pay
13 a nonbypassable system benefits charge authorized pursuant to
14 this article. The system benefits charge shall fund energy
15 efficiency, renewable energy, and research, development and
16 demonstration.

17 (2) Local publicly owned electric utilities shall continue to
18 collect and administer system benefits charges pursuant to Section
19 385.

20 (c) (1) The commission shall require each electrical
21 corporation to identify a separate rate component to collect
22 revenues to fund energy efficiency, renewable energy, and
23 research, development and demonstration programs authorized
24 pursuant to this section beginning January 1, 2002, through
25 January 1, 2012. The rate component shall be a nonbypassable
26 element of the local distribution service and collected on the basis
27 of usage.

28 (2) This rate component may not exceed, for any tariff
29 schedule, the level of the rate component that was used to recover
30 funds authorized pursuant to Section 381 on January 1, 2000. If the
31 amounts specified in paragraph (1) of subdivision (d) are not
32 recovered fully in any year, the commission shall reset the rate
33 component to restore the unrecovered balance, provided that the
34 rate component may not exceed, for any tariff schedule, the level
35 of the rate component that was used to recover funds authorized
36 pursuant to Section 381 on January 1, 2000. Pending restoration,
37 any annual shortfalls shall be allocated pro rata among the three
38 funding categories in the proportions established in paragraph (1)
39 of subdivision (d).

(d) The commission shall order San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company to collect these funds commencing on January 1, 2002, as follows:

(1) Two hundred twenty-eight million dollars (\$228,000,000) per year in total for energy efficiency and conservation activities, one hundred thirty-five million dollars (\$135,000,000) in total per year for renewable energy, and sixty-two million five hundred thousand dollars (\$62,500,000) in total per year for research, development and demonstration. The funds for energy efficiency and conservation activities shall continue to be allocated in proportions established for the year 2000 as set forth in paragraph (1) of subdivision (c) of Section 381.

(2) The amounts shall be adjusted annually at a rate equal to the lesser of the annual growth in electric commodity sales or inflation, as defined by the gross domestic product deflator.

(e) The commission and the Energy Commission shall retain and continue their oversight responsibilities as set forth in Sections 381, 383, 383.5, and 445, and Chapter 7.1 (commencing with Section 25620) of Division 15 of the Public Resources Code.

(f) (1) On or before January 1, 2004, the Governor shall appoint an independent review panel including, but not limited to, members with expertise on the energy service needs of large and small electricity consumers, system reliability issues, and energy-related public policy. On or before January 1, 2005, the panel shall prepare and submit to the Legislature and the Energy Commission a report evaluating the energy efficiency, renewable energy, and research, development and demonstration programs funded under this section. Reasonable costs associated with the review in each of the three program categories, including technical assistance, may be charged to the relevant program category under procedures to be developed by the commission for energy efficiency and by the Energy Commission for renewable energy and research development and demonstration.

(2) The report shall also assess all of the following:

(A) Whether ongoing programs are consistent with the statutory goals.

(B) Whether potential synergies among the program categories described in paragraph (1) that could provide enhanced public value have been identified and incorporated in the programs.

1 (C) If established targets for increased renewable generation
2 are likely to be achieved.

3 (D) What changes should be made to result in a more efficient
4 use of public resources.

5 (3) The report shall also compare the Energy Commission's
6 programs with efforts undertaken by other states and assess, as an
7 alternative, the relative costs and benefits of adopting a tradable
8 minimum renewable energy requirement in California. The
9 evaluation shall include recommendations intended to optimize
10 renewable resource development at the least cost.

11 (4) For energy efficiency programs, the report shall include an
12 evaluation of all of the following:

13 (A) The net benefits secured for residential customers, taking
14 into account both public and private costs, including
15 improvements in that customer group's ability to avoid or reduce
16 consumption of relatively costly peak electricity.

17 (B) Whether the programs provide a balance of benefits to all
18 sectors that contribute to the funding.

19 (C) The extent to which competition in energy markets
20 including, but not limited to, load participation in ancillary
21 services markets, and improvements in technology affect the
22 continuing need for such programs.

23 (D) The status and growth of the private, competitive energy
24 services industry that provides energy efficiency services and
25 other energy products to customers.

26 (E) The commercial availability of any new technologies that
27 reduce electricity demands during high-priced periods.

28 (F) Customers' willingness and ability to reduce consumption
29 or adopt energy efficiency measures without program support.

30 (G) The extent to which the programs have delivered
31 cost-effective energy efficiency not adequately provided by
32 markets and as a result have reduced energy demand and
33 consumption.

34 (H) The relative cost effectiveness of program expenditures
35 compared to other current or potential expenditures to enhance
36 system reliability.

37 (5) The report shall include specific recommendations aimed
38 at assisting the Legislature in determining whether to change or
39 eliminate the collection of the system benefits charge on or after
40 January 1, 2007.

- 1 (6) The panel may update and revise the report as needed.
- 2 (g) Promptly after receiving the panel's report, the commission
- 3 shall convene a proceeding to address implementation of the
- 4 panel's energy efficiency recommendations.
- 5 (h) The commission shall establish a single universal rebate
- 6 rate for all energy efficiency technologies used for *large*
- 7 *nonresidential standard performance contract* programs allocated
- 8 funds under paragraph (1) of subdivision (b).

